

CITY OF MURDO
AUDIT REPORT
DECEMBER 31, 2009

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Gary L. Larson, CPA

900 Winchester Drive
Pierre, SD 57501
(605) 940-1284
glarsoncpa@pie.midco.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Murdo
Murdo, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, as December 31, 2009, and for each of the years in the biennial period then ended, and have issued my report thereon dated August 5, 2010. My report was modified because of a scope limitation concerning the component unit and because the financial statements were prepared on the cash basis of accounting.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Murdo's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

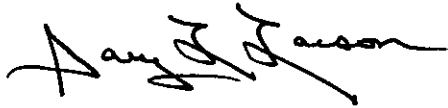
I consider the deficiency described in the Schedule of Current Audit Findings as item number 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Murdo's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Murdo's response to the findings identified in my audit are described in the accompanying Schedule of Current Audit Finding. I did not audit the City of Murdo's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the governing board and information of the management of the City of Murdo, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David J. Hanson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

August 5, 2010

INDEPENDENT AUDITOR'S REPORT

City Council
City of Murdo
Murdo, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, as of December 31, 2009, and for each of the years in the biennial period then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murdo's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the City of Murdo prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

I was unable to obtain audited cash basis financial statements supporting the financial activities of the Murdo Housing and Redevelopment Commission, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the component unit column and represent 100% of the assets and revenues of the component unit column.

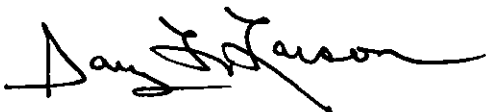
Since I was unable to obtain audited financial statements supporting the activities of the Murdo Housing and Redevelopment Commission and was not able to apply other auditing procedures to satisfy myself as to the reported cash, equity, revenues and expenses, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis, of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, at December 31, 2009 and the respective changes in financial position thereof for each of the years in the biennial period then ended, in conformity with the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, I have also issued my report dated August 5, 2010 on my consideration of the City of Murdo's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 37 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The City of Murdo has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



August 5, 2010

CITY OF MURDO
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	TOTAL
ASSETS:			
Cash and cash equivalents	\$329,730	(\$11,682)	\$318,048
TOTAL ASSETS	\$329,730	(\$11,682)	\$318,048
NET ASSETS:			
Unrestricted	\$329,730	(\$11,682)	\$318,048
TOTAL NET ASSETS	\$329,730	(\$11,682)	\$318,048

The accompanying notes to financial statements are an integral part of this statement.

Component Unit
\$203,236
\$203,236

\$203,236
\$203,236

CITY OF MURDO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM REVENUES		
Functions/Programs	Expenses	Changes for Services	Operating Grants
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$105,669	\$10,694	\$0
Public safety	28,566	906	0
Public works	867,408	59,902	0
Health and welfare	1,785	0	0
Culture and recreation	151,099	485	0
Conservation and development	46,438	0	0
Debt service	35,005	0	0
TOTAL GOVERNMENTAL ACTIVITIES	1,235,970	71,987	0
Business-type Activities:			
Water	144,343	140,559	0
Sewer	27,160	69,723	0
TOTAL BUSINESS-TYPE ACTIVITIES	171,503	210,282	0
TOTAL PRIMARY GOVERNMENT	\$1,407,473	\$282,269	\$0
Component Unit:			
Housing and Redevelopment Commission	\$156,497	\$97,594	\$48,080

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues
TRANSFERS

Total General Revenues and Transfers

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$94,975)	\$0	(\$94,975)	\$0
0	(27,660)	0	(27,660)	0
0	(439,754)	0	(439,754)	0
0	(1,785)	0	(1,785)	0
367,752	(150,614)	0	(150,614)	0
0	(46,438)	0	(46,438)	0
0	(35,005)	0	(35,005)	0
367,752	(796,231)	0	(796,231)	0
0	0	(3,784)	(3,784)	0
0	0	42,563	42,563	0
0	0	38,779	38,779	0
\$367,752	(\$796,231)	\$38,779	(\$757,452)	\$0
\$40,539	\$0	\$0	\$0	\$29,716

125,579	0	125,579	0
347,475	0	347,475	0
6,314	0	6,314	0
678	206	884	3,058
116,000	0	116,000	3,292
220,800	(220,800)	0	0
816,846	(220,594)	596,252	6,350
20,615	(181,815)	(161,200)	36,066
309,115	170,133	479,248	167,170
\$329,730	(\$11,682)	\$318,048	\$203,236

CITY OF MURDO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM REVENUES		
Functions/Programs	Expenses	Charges for Services	Operating Grants
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$123,502	\$30,770	\$0
Public safety	29,900	0	0
Public works	239,038	45,417	12,178
Health and welfare	1,523	0	0
Culture and recreation	73,367	1,870	0
Conservation and development	1,044	0	0
Debt Service	16,679	0	0
TOTAL GOVERNMENTAL ACTIVITIES	485,053	78,057	12,178
Business-type Activities:			
Water	114,309	128,356	0
Sewer	21,589	68,127	0
TOTAL BUSINESS-TYPE ACTIVITIES	135,898	196,483	0
TOTAL PRIMARY GOVERNMENT	\$620,951	\$274,540	\$12,178
Component Unit:			
Housing and Redevelopment Commission	\$127,570	\$100,696	\$26,272

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues

Total General Revenues

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$92,732)	\$0	(\$92,732)	\$0
0	(29,900)	0	(29,900)	0
0	(181,443)	0	(181,443)	0
0	(1,523)	0	(1,523)	0
0	(71,497)	0	(71,497)	0
0	(1,044)	0	(1,044)	0
0	(16,679)	0	(16,679)	0
0	(394,818)	0	(394,818)	0
0	0	14,047	14,047	0
0	0	46,538	46,538	0
0	0	60,585	60,585	0
\$0	(\$394,818)	\$60,585	(\$334,233)	\$0
\$34,359	\$0	\$0	\$0	\$33,757

120,298	0	120,298	0
329,905	0	329,905	0
18,733	0	18,733	0
920	507	1,427	5,136
85,478	0	85,478	3,098
555,334	507	555,841	8,234
160,516	61,092	221,608	41,991
148,599	109,041	257,640	125,179
\$309,115	\$170,133	\$479,248	\$167,170

CITY OF MURDO
BALANCE SHEET-CASH BASIS-
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$328,089	\$1,641	\$329,730
TOTAL ASSETS	<u>\$328,089</u>	<u>\$1,641</u>	<u>\$329,730</u>
 FUND BALANCES:			
Undesignated	\$328,089	\$0	\$328,089
Undesignated-Special Revenue Funds	<u>0</u>	<u>1,641</u>	<u>1,641</u>
Total Fund Balance	<u>\$328,089</u>	<u>\$1,641</u>	<u>\$329,730</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$124,698	\$0	\$124,698
General sales taxes	294,028	53,315	347,343
Amusement taxes	132	0	132
Penalties and interest on tax	881	0	881
Licenses and permits	1,040	0	1,040
Intergovernmental Revenue			
Federal grants	370,357	0	370,357
State shared revenues	22,778	0	22,778
County shared revenues	9,617	0	9,617
Charges for Goods and Services:			
General government	5,850	0	5,850
Sanitation	43,438	0	43,438
Culture and recreation	485	0	485
Fines and Forfeits:			
Other	906	0	906
Miscellaneous Revenue			
Interest earned	678	0	678
Rentals	4,844	0	4,844
Liquor operating agreements	25,020	0	25,020
Other	77,718	0	77,718
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Total Revenue	\$982,470	\$53,315	\$1,035,785
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	9,728	0	9,728
Financial administration	95,941	0	95,941
Public Safety			
Police	20,167	0	20,167
Fire	8,399	0	8,399
Public Works			
Highways and streets	232,693	0	232,693
Sanitation	46,055	0	46,055
Airport	407,607	0	407,607
Health and Welfare:			
Health	1,500	0	1,500
Humane society	285	0	285
Culture and Recreation:			
Recreation	48,460	0	48,460
Parks	7,151	11,411	18,562
Auditorium	84,077	0	84,077
Conservation and development			
Economic development	0	32,567	32,567
Debt service	213,245	16,684	229,929
Total Expenditures	<u>\$1,175,308</u>	<u>\$60,662</u>	<u>\$1,235,970</u>
Excess of revenues over (under) expenditures	(192,838)	(7,347)	(200,185)
Other Financing Sources (Uses):			
Transfers-in	<u>213,630</u>	<u>7,170</u>	<u>220,800</u>
Net Change in Fund Balances	20,792	(177)	20,615
FUND BALANCE JANUARY 1, 2009	<u>307,297</u>	<u>1,818</u>	<u>309,115</u>
FUND BALANCE, DECEMBER 31, 2009	<u><u>\$328,089</u></u>	<u><u>\$1,641</u></u>	<u><u>\$329,730</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$119,399	\$0	\$119,399
General sales taxes	282,138	47,767	329,905
Amusement taxes	84	0	84
Penalties and interest on tax	899	0	899
Licences and permits	500	0	500
Intergovernmental Revenue			
Federal grants	5,961	0	5,961
State grants	8,260	0	8,260
State shared revenues	18,733	0	18,733
County shared revenues	9,585	0	9,585
Charges for Goods and Services:			
Sanitation	45,417	0	45,417
Culture and recreation	1,870	0	1,870
Miscellaneous Revenue			
Interest earned	920	0	920
Rentals	8,542	0	8,542
Special assessments	1,781	0	1,781
Liquor operating agreement income	22,228	0	22,228
Other	71,485	0	71,485
	<hr/>	<hr/>	<hr/>
Total Revenue	\$597,802	\$47,767	\$645,569
	<hr/>	<hr/>	<hr/>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	\$11,944	\$0	\$11,944
Financial administration	92,158	0	92,158
Other	0	19,400	19,400
Public Safety			
Police	22,000	0	22,000
Fire	7,900	0	7,900
Public Works			
Highways and streets	180,269	4,800	185,069
Sanitation	47,291	0	47,291
Airport	6,678	0	6,678
Health and Welfare			
Health	1,500	0	1,500
Humane society	23	0	23
Culture and Recreation:			
Recreation	43,526	0	43,526
Parks	9,251	9,397	18,648
Auditorium	11,193	0	11,193
Conservation and development			
Economic development	0	1,044	1,044
Debt service	0	16,679	16,679
Total Expenditures	<u>\$433,733</u>	<u>\$51,320</u>	<u>\$485,053</u>
Net Change in Fund Balances	164,069	(3,553)	160,516
FUND BALANCE, JANUARY 1, 2008	<u>143,228</u>	<u>5,371</u>	<u>148,599</u>
FUND BALANCE, DECEMBER 31, 2008	<u><u>\$307,297</u></u>	<u><u>\$1,818</u></u>	<u><u>\$309,115</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
BALANCE SHEET - CASH BASIS - PROPRIETARY FUNDS
DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	(\$11,743)	\$61	(\$11,682)
TOTAL ASSETS	(\$11,743)	\$61	(\$11,682)
NET ASSETS			
Unrestricted net assets	(\$11,743)	\$61	(\$11,682)
Total Net Assets	(\$11,743)	\$61	(\$11,682)

The accompanying notes to financial statements are an
integral part of this statement.

CITY OF MURDO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services	\$140,559	\$69,723	\$210,282
OPERATING EXPENSES:			
Personal services	34,342	20,053	54,395
Other current expense	39,179	7,107	46,286
Cost of goods sold	56,334	0	56,334
Capital assets	10,000	0	10,000
Debt service (principal)	1,753	0	1,753
Total Operating Expenses	141,608	27,160	168,768
Operating Income	(1,049)	42,563	41,514
Non-operating Revenue (Expense)			
Interest earned	206	0	206
Interest expense	(2,735)	0	(2,735)
Total Non-operating Revenue (Expense)	(2,529)	0	(2,529)
Income (loss) before transfers	(3,578)	42,563	38,985
Transfers out	(34,000)	(186,800)	(220,800)
Change in Net Assets	(37,578)	(144,237)	(181,815)
NET ASSETS, BEGINNING	25,835	144,298	170,133
NET ASSETS, ENDING	<u>(\$11,743)</u>	<u>\$61</u>	<u>(\$11,682)</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services	\$128,356	\$68,127	\$196,483
OPERATING EXPENSES:			
Personal services	33,657	19,387	53,044
Other current expense	23,720	2,202	25,922
Cost of goods sold	52,444	0	52,444
Debt service (principal)	1,701	0	1,701
Total Operating Expenses	111,522	21,589	133,111
Operating Income	16,834	46,538	63,372
Non-operating Revenue (Expense)			
Interest earned	419	88	507
Interest expense	(2,787)	0	(2,787)
Total Non-operating Revenue (Expenses)	(2,368)	88	(2,280)
Change in Net Assets	14,466	46,626	61,092
NET ASSETS, BEGINNING	11,369	97,672	109,041
NET ASSETS, ENDING	\$25,835	\$144,298	\$170,133

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 c., these financial statements are presented on cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting.

a. Financial Reporting Entity:

The reporting entity of the City of Murdo consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on, the City (primary government).

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Murdo Housing and Redevelopment Commission (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though retains the statutory authority to approve or deny or otherwise modify the commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Murdo Housing and Redevelopment Commission may be obtained from: Murdo Housing and Redevelopment Commission, Murdo, SD.

b. Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the *governmental and business-type activities* and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1 a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 a., above.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or major capital projects) that are legally restricted to expenditures for specified purposes.

Entertainment Tax Fund A fund established by SDCL 10-52A used to pay for promotion of the City. It is financed by a gross receipts tax on bars, restaurants and motels. This is not a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any Financial Accounting Standards Board (FASB) Statements and interpretation issued after November 30, 1989.

Water Fund	a fund used to record financial transactions related to water utility operations. This fund is financed by user charges and grants. This is a major fund.
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Sewer Fund	a fund used to record financial transactions related to sewer operations. This fund is financed by user charges. This is a major fund.
------------	----------------------------------------------------------------------------------------------------------------------------------------

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City uses the cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the cash basis, transactions are recorded when cash is received or disbursed.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the economic resources" measurement focus is used, applied within the limitations of the cash basis of accounting.

Basis of Accounting:

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-type and component unit activities are presented using a cash basis of accounting.

The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances. The City did not have internal receivables or payables as of December 31, 2009.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. In order to minimize the doubling-up effect on the interfund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate. The City did not have any such internal activity during fiscal year 2006 or 2007.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Capital Assets:

Under the cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

g. Long-term Liabilities:

Under the cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows.

1. Charges for services - These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses that are capital and related financing activities or investing activities are reported as separate classifications of revenue or expense (on a cash basis).

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components:

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the City's policy to first use restricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF
CREDIT RISK AND INTEREST RATE RISK: (continued)

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

It is the City's policy to deposit all interest revenue to the fund making the investment.

Custodial Credit Risk:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The City's deposits were not exposed to the above risks as of December 31, 2009.

Investments - In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

No investments were held as of December 31, 2009.

Custodial Credit Risk - Deposits -The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

4. CHANGES IN CAPITAL ASSETS:

Since the City of Murdo uses the cash basis of accounting, depreciation schedules are not maintained and capital asset records do not include the historical cost of all fixed assets. During the two years ending December 31, 2009 the City purchased the following capital assets:

	<u>Governmental Funds</u>	<u>Business Type Funds</u>
Improvements	\$ 40,504	\$ -
Equipment	<u>97,903</u>	<u>10,000</u>
Total	<u>\$ 138,408</u>	<u>\$ 10,000</u>

No material deletions occurred during the two year period ended December 31, 2009.

5. LONG-TERM DEBT

A summary of changes in long-term debt follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions (Deletions)</u>	<u>Ending Balance</u>	<u>Due within Year</u>
Governmental Activities:				
Contract Payable	\$170,000	\$(170,000)	\$ 0	\$ 0
Installment Loans	<u>148,380</u>	<u>(27,352)</u>	<u>121,028</u>	<u>14,274</u>
Total Governmental Activities	<u>318,380</u>	<u>(197,352)</u>	<u>121,028</u>	<u>14,274</u>
Business Type Activities:				
Installment Loan	<u>93,317</u>	<u>(3,454)</u>	<u>89,863</u>	<u>1,806</u>
Total Primary Government	<u>\$411,697</u>	<u>\$(200,806)</u>	<u>\$210,891</u>	<u>\$16,080</u>

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

5. LONG-TERM DEBT (continued)

Debt payable at December 31, 2009 is comprised of the following:

Governmental Activities:

Installment Loans:

Loan payable to individuals, due in monthly installments of \$689 to July 1, 2014, including 5% interest, payable by the Entertainment Tax Fund. \$ 33,825

Loan payable to West Central Electric Coop, due in annual payments of \$8,411, including 1% interest, maturity is August 1, 2015. The loan is being paid by the Entertainment Tax Fund. 87,203

Total Governmental Activities: \$ 121,028

Business Type Activities:

Loan payable to bank, due in monthly installments of \$374, including 3% interest, maturing August 1, 2040. Loan is being paid by the Water Fund. 89,863

Total Primary Government: \$ 210,891

The annual requirements to amortize all outstanding debt to the City are as follows:

Annual Requirements to Amortize
Long-Term Debt - December 31, 2009

Installment Loans: Yr Ended December 31,	Governmental		Business	
	Principal	Interest	Principal	Interest
2010	\$ 14,274	\$ 2,410	\$ 1,806	\$ 2,682
2011	14,694	1,990	1,861	2,627
2012	15,132	1,553	1,918	2,570
2013	15,589	1,095	1,977	2,511
2014	12,592	645	2,036	2,452
2015-2019	48,747	487	11,150	11,290
2020-2024	-	-	12,952	9,488
2025-2029	-	-	15,044	7,396
2030-2034	-	-	17,477	4,963
2035-2039	-	-	20,301	2,139
2040-2044	-	-	3,341	51
	<u>\$121,028</u>	<u>\$ 8,180</u>	<u>\$ 89,863</u>	<u>\$ 48,169</u>

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

6. CONDUIT DEBT

The City had no conduit debit out standing as of December 31, 2009, nor during the two years then ended.

7. RELATED PARTY TRANSACTIONS:

The City had no related party transactions during the two years ending December 31, 2009.

8. SIGNIFICANT CONTINGENCIES OR LITIGATIONS:

The City had no significant contingencies nor litigations as of December 31, 2009, nor during the two years then ended.

9. RESTRICTIONS ON ASSETS OR OWNERS EQUITY:

As of December 31, 2009, and during the two years then ended, the City had no restrictions on any assets or equity balances.

10. SUBSEQUENT EVENTS:

There have been no significant subsequent events since December 31, 2009, through August 5, 2010.

11. UNCERTANTIES:

As of December 31, 2009, the City was not aware of any significant uncertainties.

12. PLEDGED REVENUES:

The City has pledged future water customers' revenues, net of specified operation expenses, to repay \$89,863 in water system installments loans issued in 2005. Proceeds from the loans provided financing for the construction of a water tower.

The bonds are payable solely from water customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds is \$138,032. Principal and interest paid for the current year and total customer net revenues were \$4,488 and \$10,704, respectively.

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2009, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. The policy carries a \$500 deductible.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, on the ultimate cost of the experience to date of SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the Pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the Pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

13. RISK MANAGEMENT (continued)

Liability Insurance (continued):

under certain conditions. As of December 31, 2009, the City had a vested balance of \$22,094 in the reserve fund. The City carries a \$250 deductible for the automobile coverage and \$1,000 deductible for the general liability.

Workmen's Compensation:

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensations coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The Pool pays the first \$325,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,675,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

13. RISK MANAGEMENT (continued)

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2008 and 2009, no claims were filed or paid for unemployment, nor are any anticipated as of December 31, 2009.

14. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for fiscal years ended December 31, 2009, 2008 and 2007 were \$5,615, \$5,426 and \$5,195 respectively, equal to the required contributions each year.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

15. JOINT VENTURE

The City participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area services to its member entities.

The members of the joint venture are as follows:

<u>Counties</u>	<u>Cities</u>
Tripp County	White Lake
Aurora County	Wessington Springs
Jerauld County	Plankinton
Brule County	Reliance
Lyman County	White River
Buffalo County	Alpena
Jones County	Lane
Mellette County	Colome
	Kennebec
	Chamberlain
	Kimball
	Oacoma
	Presho
	Draper
	Stickney
	Murdo
	Pukwana
	New Witten
	Winner and
	Wood

The joint venture's governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

15. JOINT VENTURE (continued):

As of December 31, 2008, this joint venture had total fund equity of \$315,576 and long-term debt of \$333,260. This is the most recent financial information the entity was able to provide as of August 5, 2010.

16. INTERFUND TRANSFERS

In 2009 a transfer of \$34,000 was made from the Sewer Fund to the General Fund to subsidize operations of the General Fund. In 2009 a transfer of \$179,630 was made from the Water Fund to the General Fund to subsidize its operations. In 2009 a transfer of \$7,170 was made from the Water Fund to the Entertainment Tax Fund to subsidize its operation.

17. DEFICIT NET ASSETS

The Water Fund had an \$11,743 deficit as of December 31, 2009. The City plans to eliminate this in 2010 by cost reduction measures.

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$125,909	\$125,909	\$124,698
General sales and use taxes	280,000	280,000	294,028
Amusement taxes	0	0	132
Penalties and interest	0	0	881
Licenses and Permits	1,398	1,398	1,040
Intergovernmental Revenue			
Federal grants	0	406,233	370,357
State shared revenue	17,500	17,500	22,778
County shared revenue	9,450	9,450	9,617
Charges for Goods and Services			
General government	1,000	1,000	5,850
Sanitation	45,000	45,000	43,438
Culture and recreation	1,850	1,850	485
Fines and Forfeits:			
Other	0	0	906
Miscellaneous Revenue			
Investment earnings	500	500	678
Rentals	3,000	3,000	4,844
Liquor operating agreements	19,100	19,100	25,020
Other	9,000	9,000	77,718
Total Revenue	\$513,707	\$919,940	\$982,470

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

(\$1,211)

14,028

132

881

(358)

(35,876)

5,278

167

4,850

(1,562)

(1,365)

906

178

1,844

5,920

68,718

\$62,530

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

EXPENDITURES	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
General Government			
Legislative	\$13,689	\$14,089	\$9,728
Contingencies	38,097	38,097	0
Amount transferred	0	(36,635)	0
Elections	250	250	0
Financial administration	94,188	98,093	95,941
Public Safety			
Police	22,000	22,000	20,167
Fire	8,400	8,400	8,399
Public Works			
Highways and streets	247,243	249,993	232,693
Sanitation	47,564	47,564	46,055
Airport	1,375	407,608	407,607
Health and Welfare			
Health	1,500	1,500	1,500
Humane society	50	300	285
Culture and Recreation			
Recreation	40,202	49,532	48,460
Parks	4,900	8,000	7,151
Auditorium	30,000	84,078	84,077
Debt Service	0	220,800	213,245
Total Expenditures	549,458	1,213,669	1,175,308
Excess of Revenues over Expenditures	(35,751)	(293,729)	(192,838)
Other Financing Sources:			
Transfers-in	0	220,800	213,630
Net Change in Fund Balance	(35,751)	(72,929)	20,792
FUND BALANCE-Beginning	307,297	307,297	307,297
FUND BALANCE-Ending	\$271,546	\$234,368	\$328,089

The accompanying notes to supplemental information are an integral part of the schedule

Variance with
Final Budget-
Positive
(Negative)

\$4,361
38,097
(36,635)
250
2,152

1,833
1

17,300
1,509
1

0
15

1,072
849
1

7,555

38,361

100,891

(7,170)

93,721

0

\$93,721

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$118,082	\$118,082	\$119,399
General sales and use taxes	280,000	280,000	282,138
Amusement taxes	0	0	84
Penalties and interest	0	0	899
Licenses and Permits	1,028	1,028	500
Intergovernmental Revenue			
Federal grants	0	0	5,961
State grants	0	0	8,260
State shared revenue	20,500	20,500	18,733
County shared revenue	9,200	9,200	9,585
Charges for Goods and Services			
Sanitation	45,300	45,300	45,417
Culture and recreation	2,850	2,850	1,870
Miscellaneous Revenue			
Investment earnings	500	500	920
Rentals	3,200	3,200	8,542
Special assessments	0	0	1,781
Liquor operating agreements	17,100	17,100	22,228
Other	4,010	4,010	71,485
Total Revenue	\$501,770	\$501,770	\$597,802

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$1,317

2,138

84

899

(528)

5,961

8,260

(1,767)

385

117

(980)

420

5,342

1,781

5,128

67,475

\$96,032

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

EXPENDITURES	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
General Government			
Legislative	\$15,342	\$15,342	\$11,944
Contingencies	38,015	38,015	0
Amount transferred	0	(24,159)	0
Elections	250	250	0
Financial administration	92,757	95,157	92,158
Public Safety			
Police	22,000	22,000	22,000
Fire	7,900	7,900	7,900
Public Works			
Highways and streets	280,147	281,147	180,269
Sanitation	44,785	48,285	47,291
Airport	1,375	7,334	6,678
Health and Welfare			
Health	1,500	1,500	1,500
Humane society	100	100	23
Culture and Recreation			
Recreation	40,952	46,066	43,526
Parks	4,400	9,300	9,251
Auditorium	4,000	11,195	11,193
Total Expenditures	553,523	559,432	433,733
Net Change in Fund Balance	(51,753)	(57,662)	164,069
FUND BALANCE-Beginning	143,228	143,228	143,228
FUND BALANCE-Ending	\$91,475	\$85,566	\$307,297

The accompanying notes to supplemental information are an integral part of the schedule

Variance with
Final Budget-
Positive
(Negative)

\$3,398
38,015
(24,159)
250
2,999

0
0

100,878
994
656

0
77

2,540
49
2

125,699

221,731

0

\$221,731

CITY OF MURDO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles, on a cash basis.

CITY OF MURDO
SCHEDULE OF CURRENT AUDIT FINDINGS

FINDING NUMBER 2009-01:

A lack of proper segregation of duties is the present situation in the City's accounting department.

CRITERIA:

Duties should be segregated so the same employees who handle cash do not record cash transactions nor have general ledger access. Bank reconciliation should be performed by personnel not involved with the check writing process. Other financial and accounting functions should be done by separate people.

CONDITION, CAUSE AND EFFECT:

The size of the entity precludes an adequate segregation of duties.

RECOMMENDATION:

The Mayor and Council Members should always be aware of this weakness as they review and approve transactions of the City and resulting financial reports. Compensating controls should be implemented whenever and wherever possible.

RESPONSE:

The City agrees with the finding, but does not intend to hire additional personnel just to segregate duties.

CITY OF MURDO
SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER 2005-01 and 2007-01:

A lack of proper segregation of duties is the present situation in the City's accounting department.

This finding was first reported in 1998.

CURRENT STATUS:

The condition remains the same as of December 31, 2009.